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**Chemicals and Plastics
Leadership Group**

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**UNDERPINNING
AUSTRALIA'S
INDUSTRIAL GROWTH**

**Final Report to the Australian
Government**

**The Australian Chemicals and
Plastics Industry Action Agenda**

August 2004



Vision & Role of the CPLG

The Chemicals and Plastics Leadership Group (CPLG) is an industry-based taskforce established to implement the recommendations of the industry's Action Agenda developed in conjunction with the Australian Government in March 2001.

VISION

The CPLG's vision for the sector is that it be a sustainable, dynamic and innovative industry underpinning Australia's industrial growth and capturing significant domestic and export markets.

ROLE

The CPLG recognises that the Action Agenda provides a catalyst for the chemicals and plastics industry to collectively focus on identifying and realising its own potential. The Australian Government looks to industry to provide leadership for much of this work and has therefore agreed to the establishment of the CPLG.

This report has been prepared by the Chemicals and Plastics Leadership Group, which was appointed by the Minister for Industry, Tourism and Resources, the Hon Ian Macfarlane MP, to oversee the implementation of the Action Agenda's recommendations, to report to Government on progress and to provide industry policy advice.

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Message from the Chair

This Final Report of the Chemicals and Plastics Leadership Group represents the combined efforts and expertise of many people within the industry and government. It is the product of work done, not just by the CPLG, its Working Groups and the many who contributed to those Groups, but also of the Chemicals and Plastics Action Agenda Steering Group, which in March 2001 presented its report to the Australian Government, *“Underpinning Australia’s Industrial Growth”*. The work of the CPLG and its findings are based on the recommendations of that Action Agenda Steering Group, and on the subsequent response from Government in November 2002.

In presenting this report, I wish to acknowledge the time and expertise given unstintingly to the CPLG by its individual members in the interests of developing a strategy to guide our industry. I thank especially the Chairs of the four Working Groups – John Petschel, Ed Kosior, Bronwyn Capanna and Martin Jones – and the members of those groups. The task of addressing the recommendations of the Action Agenda fell to these groups and their members from within and outside the CPLG, who provided their time and knowledge for the betterment of all in the chemicals and plastics sector.

I also wish to acknowledge the support of the Australian Government, and particularly that of the Minister for Industry, Tourism and Resources, the Hon Ian Macfarlane MP, and the Parliamentary Secretary to the Minister for Health and Ageing, the Hon Trish Worth MP. Through their support and the cooperation of officers of their departments and related agencies, the CPLG has influenced government policy and already recorded significant achievements in areas such as regulatory reform and support for programs in innovation and skills training.

The task before us all is to ensure that the work of the Action Agenda Steering Group and the Chemicals and Plastics Leadership Group is carried forward. To this end, our report recommends the continuation of the CPLG as an industry-funded advisory body recognised by government as the representative of the industry and its interests. It will be this body that will continue to work with the Australian Government, and State and Territory Governments where applicable, to ensure that the findings of this report are acknowledged and its specific recommendations implemented so that we might realise the industry’s vision:

“To be a sustainable, dynamic and innovative industry underpinning Australia’s industrial growth and capturing significant domestic and export markets.”

Mike Dwyer
Chair
Chemicals and Plastics Leadership Group

August 2004



CPLG Council Members

CHAIR

Mike Dwyer, Managing Director, Viscount Plastics Pty Ltd

MEMBERS

<i>NAME</i>	<i>TITLE</i>	<i>COMPANY</i>
Bronwyn Capanna	Executive Director	Australian Consumer and Specialty Products Association
Kevin Chambers	Director	Strategic Export Advisory & Marketing Services Pty Ltd
Mike Craft	Director	RWR Veterinary Products
Barbara Gibson	GM – Chemicals Group	Orica Limited
Martin Jones	GM - CSR Ethanol	CSR Sugar
Sylvia Kidziak AM	Managing Director	SL Engineering
Prof. Edward Kosior	Research & Development Mgr, Polymers & Recycling	Visy Industries
Dr Errol McGarry	Immediate Past President	Australian Industrial Research Group
John Petschel	Managing Director	APS Plastics Pty Ltd
Derrick Samuel	Managing Director (Aust)	Colgate-Palmolive

SECRETARIAT

<i>NAME</i>	<i>TITLE</i>	<i>COMPANY</i>
Michael Catchpole	Chief Executive	Plastics and Chemicals Industries Assoc
Martin Jones	<i>former</i> Chief Executive	Plastics and Chemicals Industries Assoc
Elise Kimpton	PA to the Chief Executive	Plastics and Chemicals Industries Assoc



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Executive Summary

Background

The Chemicals and Plastics Leadership Group (CPLG) was formed at the recommendation of the Chemicals and Plastics Action Agenda Steering Group to progress the Action Agenda recommendations contained in its report of March 2001.

The CPLG is an industry-based taskforce with members appointed by the Minister for Industry, Tourism and Resources, the Hon Ian Macfarlane MP. Members were nominated for their industry knowledge and expertise and are representative of the broad chemicals and plastics sector. They are assisted by officers of the Department of Industry, Tourism and Resources (DITR).

The CPLG has based its work and this Final Report to the Minister on the recommendations contained in the original Action Agenda report *“Underpinning Australia’s Industrial Growth”* (March 2001), and the Government response released in November 2002 (*see Appendices*). In the structure of this Report, the original Action Agenda recommendations are followed by the Government’s response of November 2002. The Final Report then provides a status update and lists the further actions recommended or findings recorded by the CPLG.

The CPLG established four Working Groups – Regulatory Reform, Investment, Education & Training, and Innovation & Export – to address the Action Agenda recommendations.

The CPLG and its Working Groups have been supported by a secretariat provided by the Plastics and Chemicals Industries Association (PACIA), through a grant provided by the Department of Industry, Tourism and Resources.

Summary of Findings and Recommendations

Leadership Group

This *Final Report to the Australian Government* summarises the activities and achievements of the Chemicals and Plastics Leadership Group, which was formed on the recommendation of the Action Agenda Steering Committee’s report of March 2001.

The CPLG acknowledges the vital role of the Australian Government, through the Minister for Industry, Tourism and Resources, in creating and supporting the CPLG and facilitating its work program.

While much has been achieved since the Government’s response in November 2002 to the Action Agenda report, this Final Report highlights that there is still much work to be done to meet the goals of the original Action Agenda and create the strong, viable and competitive chemicals and plastics industry it envisioned.

At its June 2004 meeting, the CPLG agreed to seek the support of the Minister and, through him, the Australian Government for ongoing recognition of a renewed industry-driven and funded CPLG to continue the important work program commenced by the Action Agenda and act as the voice of the chemicals and plastics industry on policy matters.

The CPLG recommends the Government express its support for industry’s proposal for a renewed industry-constituted and industry-driven CPLG to progress the ongoing work program. The CPLG asks that the Government recognise the new body as the legitimate voice of the chemicals and



plastics industry on matters relating to industry policy and continued implementation of the Action Agenda's recommendations. The CPLG notes that ACSPA, Avcare and PACIA have agreed to jointly fund the secretariat resources needed. It is recommended that the CPLG report to, and meet at least annually with, the Minister for Industry, Tourism and Resources.

The CPLG commends the Government for its committed support and looks forward to continuing the momentum and optimism that this first phase has brought to the chemicals and plastics industry, an industry that in achieving our shared Vision and Goals has much to contribute to the social and economic prosperity of Australia.

Regulatory Reform

The CPLG is pleased to acknowledge the progress made in the area of regulatory reform during the life of the CPLG and through the close cooperation of regulatory agencies. This progress is most evident in the passage through the Australian Parliament in June 2004 of the *Industrial Chemicals (Notification and Assessment) Amendment (Low Regulatory Concern Chemicals) Bill 2004*. This legislation is a very significant outcome of the Chemicals and Plastics Action Agenda and addresses many of the issues raised by industry regarding regulation of low-concern and non-hazardous polymers and chemicals.

To build on the progress to date in regulatory reform, the CPLG recommends that:

- future regulatory reform action focus on developing a program to systematically review regulations impacting on the chemicals and plastics industry
- all agencies continue to investigate opportunities for introducing low regulatory concern reforms as well as enhancing the reforms currently in place
- NOHSC consult with industry on policy development, implementation plans and timetables for GHS for industrial chemicals and NDPSC in consultation with industry, and consider ramifications of classification and labelling of GHS for domestic and agricultural/veterinary products

In this report, the CPLG welcomes the Council of Australian Governments' recent explicit expansion of the COAG Principles and Guidelines to national standard setting bodies, especially ministerial councils. It recommends that there be further expansion of the COAG principles to cover any remaining regulatory standards established by Standards Australia.

In its consideration of Recommendation 3 of the Action Agenda, dealing with a review of APVMA, TGA and NICNAS, the CPLG's Regulatory Reform Working Group welcomes the Government's broadening of this recommendation to look not just at specific mechanisms relating to consultation and control, but at all aspects of regulatory best practice.

The CPLG acknowledges initiatives already undertaken that may lead to improvements, including:

- establishment of the Office of Chemical Safety
- establishment of the Science Forum
- reinvigoration of the Chemicals Clearing House
- the decision to relocate NICNAS within the Department of Health and Ageing
- improvements in consultation and the inclusion of industry representation on committees developing regulatory policy relating to chemicals and plastics

However, the CPLG notes that progress to date with best practice identification and implementation has been *ad hoc* and piecemeal. To overcome this, it recommends that the Productivity Commission be directed to undertake a review of the operations of APVMA, TGA and NICNAS to identify opportunities for efficiency improvements, productivity targets and the adoption of best practice. In making this recommendation, the Group notes that a Productivity Commission inquiry was one of the



options proposed to industry by the Allen Consulting report as a means of further progressing the regulatory reform agenda.

The CPLG further notes that TGA and NICNAS will be the subject of a Cost Recovery Compliance Review by the Productivity Commission in 2004/05 and that APVMA's host agency, the Department of Agriculture, Fisheries and Forestry, will be reviewed in 2007/08. The CPLG recommends that the latter review be brought forward and rolled into a broader review of agency operations commencing in 2005. The CPLG will work with the Government in the short term to define the inquiry's terms of reference.

The details of the CPLG's recommendations on Regulatory Reform and its reasoning to support those recommendations are contained in the full Regulatory Reform Working Group report that appears below.

Investment

The CPLG's Investment Working Group notes that industry supports government efforts to pursue throughout APEC a consistent approach to chemical assessment and registration, building on the Canadian bilateral agreement. It acknowledges that the Australian Government is actively engaged through the WTO and in bilateral agreements to remove trade barriers. Through the APEC Chemical Dialogue, the government supported the Globally Harmonised Systems (GHS) process and opposed the proposed European REACH system of chemical regulation (and potential trade barriers).

However, the CPLG believes the Government must follow through on its commitment to advance GHS in Australia, which is falling behind several of the Asian economies in pursuing GHS. The CPLG also recommends that government and industry work together through APEC to advance reforms in non-tariff barriers, including customs reforms, and to oppose a WTO sectoral round for chemicals.

The Australian Government must honour its commitment to remove the Tariff Concession Scheme and other unnecessary imposts on business within the context of fiscal responsibility. The TCS reduces the competitiveness of Australian industry by imposing a tax on the purchase of new equipment and therefore reduces Australia's ability to innovate and compete internationally.

On measures to encourage investment and re-investment, the CPLG acknowledges that the Government has established the Strategic Investment Coordination process to facilitate infrastructure assistance. This is an essential component of project development for international competitiveness.

The CPLG recommends that the Government extend its assistance for infrastructure development to include the restoration of infrastructure at existing sites. It argues that the recycling and extension of existing "brownfields" sites is infrastructure intensive and deserves similar support from government as is proposed for infrastructure serving greenfields sites.

To assist in the identification and development of potential world-scale petrochemical projects, the CPLG recommends that the Australian Government undertake a national study in consultation with industry as an extension of the WA study into petrochemical feedstocks. The full extent and scope of the national study would embrace:

- Availability of feedstocks for world-scale petrochemicals production (significant resources by location and quantity)
- Competitiveness of feedstocks and any tax impediments to competitiveness
- The alternatives of greenfields development or extensions to existing sites
- An examination of the petrochemical building blocks, including methane as well as ethylene-derived product chains



The CPLG also seeks reform of Australia's coastal shipping trade through the removal of the Single Voyage Permit (SVP), which distorts relationships with ship owners and makes coastal trade complex and difficult. It states that a blanket exemption should be provided to the chemical industry to enable international vessels to be used to tranship chemicals on coastal routes.

The details of the CPLG's recommendations on Investment and its reasoning to support those recommendations are contained in the full Investment Working Group report that appears below.

Innovation & Exports

The CPLG's Innovation & Exports Working Group secured an Innovation Access grant from the Department of Industry, Tourism and Resources to run workshops in Melbourne, Adelaide, Brisbane and Sydney aimed at developing a greater understanding of the support available and the difficulties experienced and impediments encountered by potential applicants for innovation and R&D funding.

As one outcome of the workshops, the Working Group has developed a draft "Guide for Innovators" in a simple brochure to make potential applicants aware of grants available, requirements when applying and best practice in protecting and developing their product/invention. The CPLG recommends that this guide be created and printed in a form suitable for distribution through industry bodies and AusIndustry.

The innovation access workshops contributed to the Group's wider program of industry consultation, from which it concluded that there is no need for additional funding to be allocated in support of innovation in the chemicals and plastics sector.

However, the Group found that the diverse range of funding programs, tax concessions and other funding avenues and assistance available is unnecessarily complex and poorly understood. The AusIndustry grant process is directed towards projects originating from a conventional R&D process following strict scientific methodology. The Group argues that not all innovation comes out of such programs and more flexibility is required when dealing with inventors rather than scientists.

The CPLG recommends the following actions to support innovation in the sector:

1. The establishment of Mentoring Groups in all major states to provide a first point of call option for innovators where they can access advice and support. The initial Mentoring Group would be established in Victoria with selected industry representatives.
2. A grant of \$200,000 to be made available over two years to provide for the Chairman, administrative support, travel and publicising of the Victorian Mentoring Group and its role. At the end of this period, the process should be reviewed, the value of the Mentoring Groups assessed and their future decided.
3. Extension of the Mentoring Group model to all industry sectors if the Chemicals and Plastics model is successful.
4. Amendment of AusIndustry guidelines to cater more for the needs of SMEs. In particular, some financial support should be provided for the development of preliminary Business and Technical plans.

The proposed amendment to AusIndustry guidelines has low budget impact and is more accountable in that only projects/inventions with a measured level of success potential are considered. This recommendation fills the gap between the SMEs and the existing AusIndustry system, without confusing the applicant by referring them to other assistance schemes that may or may not help.

Based on the work of the Innovations & Export Working Group, the CPLG believes that the R&D Tax Concession Scheme, providing tax concessions in excess of \$550M per annum, is failing in its aim of stimulating business investment in R&D because:

- There is a high cost of compliance compared with the benefits provided



- The retrospectivity of the benefit means that it has little, or no, influence on decisions regarding the level of investment in R&D or the projects undertaken
- The benefit from the scheme appears on the bottom line of the balance sheet and is not factored into R&D budgets or other decisions on R&D investment

The Group acknowledges that the scheme provides an assured benefit to industry, but is less beneficial for small business, which would welcome funding at the start of the program when most innovators experience greatest difficulty in accessing financial support.

The CPLG believes that the R&D Tax Concession Scheme is not delivering value for money and should be replaced by an alternative scheme providing equivalent funding at the commencement of the R&D program with clear criteria established for ongoing funding and performance measures put in place.

Similarly, the CPLG recommends amendments to AusIndustry guidelines to better address the needs of SMEs. It says current guidelines are geared more towards larger companies and existing businesses with appropriate infrastructure to fully take advantage of AusIndustry and other programs.

To provide more advice and assistance to companies seeking innovation development partners, the CPLG recommends that AusIndustry in conjunction with the CSIRO, other public R&D groups and industry bodies, extend the existing guide for potential collaborators titled *“Research Collaboration between Industry and Universities”*.

The details of the CPLG’s recommendations on Innovation and Exports, its reasoning to support those recommendations and a summary of proposed actions are contained in the full Innovation & Exports Working Group report that appears below.

Education & Training

The CPLG’s Education & Training Working Group has focused on addressing the Government’s response to five recommendations (Recommendations 20-24) of the Australian Chemicals and Plastics Industry Action Agenda.

The Working Group acknowledges the funding secured from the Department of Education, Science and Training (DEST) under the National Skills Shortages Strategy to proceed with an assessment of skill gaps and skills shortages.

However, in addressing the Government’s response to the initial recommendations of the Action Agenda, the Education and Training Working Group has identified a number of limitations in adequately addressing skill development needs within the chemical and plastics industries.

The Government response largely focuses on industry working through the national training advisory arrangements to achieve satisfaction in having skill development needs recognized and addressed. Industry has invested significant resources over the past 10 years to support the national and state industry advisory arrangements to develop industry competency standards, Training Packages and resources.

Despite these efforts, a number of impediments still exist to industry accessing appropriate skill development to address its current and emerging needs. The CPLG Education and Training Working Group has developed a list of outstanding issues and priority initiatives that it believes are essential for the implementation of effective measures to address the industry’s need for a skilled workforce.

The issues requiring concerted and immediate action focus on:

- the critical importance of attracting young people to the chemical and plastics industries
- up-skilling existing workers to address skill gaps



- achieving minimum standards in safety and induction training for all workers
- addressing the knowledge and skills levels of trainers and assessors working with chemical and plastics industries
- the availability of adequate learning resources to support skill development ensuring adequate entry level skills
- Promotion of the industry to young people and the community, and supporting industry to access training.

The CPLG recognises that these issues are complex and require attitudinal change by the community as well as the development of practical resources to ensure high quality skill development for the industry. The complexity of the issues is, however, not a reason to avoid seeking appropriate solutions. The industry continues to strive to work with government to ensure the development of a skilled and viable workforce for the chemical and plastics industry.

The details of the CPLG's recommendations on Education and Training, its reasoning to support those recommendations and a matrix listing outstanding issues and priority initiatives are contained in the summary Education & Training Working Group report that appears below. The Group's full report appears at Appendix F.



Regulatory Reform

Background

The Regulatory Reform Working Group was responsible for the implementation of the Action Agenda Recommendations 1 through 10 and provided ongoing advice to the CPLG on any additional activities to achieve the industry's goal of a revised and streamlined regulatory system that is more timely, accountable and cost-effective, and that is consistent with national and international best practice, particularly enabling the rapid use of overseas technology to facilitate the growth of chemicals and plastics manufacturing opportunities.

The Regulatory Reform Working Group also served as a forum to develop regulatory reform policy and recommendations for consideration by the CPLG.

The Parliamentary Secretary to the Minister for Health and Ageing, the Hon Trish Worth MP, agreed to assist by coordinating the Government's work with industry across all relevant regulatory bodies.

Regulatory Reform Working Group Members:

Bronwyn Capanna (Chair) - ACSPA
Sylvia Kidziak AM - SL Engineering
Barbara Gibson - Orica Limited
Mike Craft - RWR Veterinary Products

CPLG Response to Recommendations 1-10

Recommendation 1

Regulatory approaches to be brought into line with the 1997 Council of Australian Governments (COAG) Principles and Guidelines.

Government response

The Government commits itself to ensuring all departments and agencies strictly adhere to the 1997 COAG Principles and Guidelines. The Office of Regulation Review (ORR) will be responsible for advising departments and agencies of their role and responsibilities when considering legislative and regulatory reform.

Background – The COAG Principles and Guidelines

The COAG Principles and Guidelines¹ were recently revised at the June 2004 COAG meeting² and are the primary national policy instrument governing the quality of regulations established by standard-setting bodies throughout Australia.

They establish the key principle of “*working from an initial presumption against new or increased regulation*” and ensuring that “*regulatory measures and instruments should be the minimum to achieve the pre-determined and desired outcomes*”.

The principles and features of good regulation as defined by COAG are as follows:

¹ *Principles and Guidelines for National Standard Setting and Regulatory Action by Ministerial Councils and Standard-Setting Bodies, COAG, 2004.* Departments and agencies of the Australian Government must follow the specific requirements of the complementary 1998 *A Guide to Regulation* published by the Office of Regulation Review.

² These changes further enhance the application of the principles of good regulatory practice to decisions of COAG, Ministerial Councils, intergovernmental standard-setting bodies, and bodies established by government to deal with national regulatory problems.



Principles for developing good regulation

Minimise the impact of regulation
Minimise the impact on competition
Be outcomes based
Be compatible with international standards and practices
Cause no restriction of international trade
Have regular review
Be flexible, not prescriptive
Standardise the exercise of bureaucratic discretion

Features of good regulation

Minimise burden on the public
Minimise administrative burden
Regulatory Impact Assessment
Accountability
Performance-based regulations
Compliance strategies
Consideration of secondary effects
Standards in appendices
Plain language
Reasonable date of effect
Consultation and advertising

The centrepiece of the COAG Principles and Guidelines is the requirement for Regulatory Impact Assessment and Regulatory Impact Statements.

The Government's commitment to strict adherence by departments and agencies to COAG principles has been welcomed by the industry and CPLG is pleased to note progress to date, especially in terms of the activities of the Office of Regulation Review (ORR).

Status

The June 2003 Joint Government/Industry Progress Report³ noted the following:

“Based on feedback to the CPLG from industry, some agencies are still struggling with identifying the relevance of the ‘Guide to Regulation’ and when to develop a regulatory impact statement (RIS), particularly in the area of quasi-regulation. For example CPLG is aware that ACSPA have specifically questioned via APVMA, AFFA and ORR the lack of a regulatory impact statement in the development of the Adverse Experience Reporting Program for Agricultural Chemical Products by APVMA and labelling proposals, and indeed have been advised that APVMA have never undertaken a RIS.”

Since this report, agency compliance has improved and, despite initial reticence, APVMA has prepared and issued RISs for the two regulatory initiatives mentioned above. The involvement and oversight of the ORR was vital to achieving this outcome.

However, agency compliance with the COAG Principles and Guidelines goes beyond simply meeting the requirement to prepare a RIS. There is always a concern that an agency ‘hell bent’ on introducing new regulation can just go through the motions of regulatory impact assessment, using the RIS as no more than a ‘justification’ for predetermined action, rather than as a policy development tool that helps to flesh out, refine and simplify the regulatory proposal. To achieve this, the RIS process needs to be viewed by agencies as a best practice tool.

The June 2003 Progress Report identified two options for improving agency understanding of the positive operational role of the COAG principles:

- placement of specific individuals in agencies to champion the RIS process; and
- development of sector specific protocols with ORR.

Recognising the resource implications of placement of specific individuals in agencies, CPLG, through the Chair of the Regulatory Reform Working Group, canvassed the sector protocol option with the ORR. It was felt that at this stage such an approach may not be appropriate and could be too restrictive.

³ *Government and Industry Progress Report to the Minister for Industry, Tourism and Resources, Chemicals and Plastics Action Agenda, Regulatory Reform Initiatives – 1 June 2003*, presented by the Hon Trish Worth and Mr Mike Dwyer.



Further steps

A number of the other recommendations address the issue of appropriate mechanisms to meet the Government's commitment on COAG compliance (see Recommendation 2).

While there has been positive progress so far, the CPLG notes these actions help improve future rather than existing regulation.

As highlighted in the original Chemicals and Plastics Industry Action Agenda report, the industry is regulated by 144 separate pieces of Commonwealth and State legislation.

The CPLG recommends that future regulatory reform action focus on developing a program to systematically review regulations impacting on the chemicals and plastics industry.

This is consistent with the general recommendations of the 2003 Senate Small Business Employment Report⁴:

"The Committee recommended that the Commonwealth and State and Territory governments and local councils each undertake an ongoing program of systematic review of regulations affecting business.

The review would assess whether regulations are still necessary and whether they are achieving their objectives as simply and as efficiently as possible, and identify the need for any changes to regulations or administrative requirements.

Particular attention could be given to areas where regulatory requirements, including administrative arrangements, unnecessarily burden business, for example through poor drafting, duplication, unnecessarily rigid requirements or the interaction with other regulatory requirements. Reviews could also consider whether the regulations are being administered in [a] way that minimises the compliance burden. (p. 117)

The [Senate] Committee also considered there is a need for a standing cross-jurisdictional regulation review and reform body that would focus on reducing regulatory burden."

The CPLG considers the establishment of an ongoing review program of existing regulation specifically impacting on the chemicals and plastics industry a high priority with potential for significant benefit. This potential is demonstrated by the excellent *ad hoc* regulatory review initiatives already introduced, such as the NICNAS Low Regulatory Concern Chemicals process. A formal, systematic review program could uncover significant areas for regulatory reform, and develop a process to which priority issues can be referred eg where unjustifiable national inconsistency exists.

The CPLG also welcomes COAG's recent explicit expansion of the COAG Principles and Guidelines to national standard setting bodies, especially ministerial councils. Standards established by Standards Australia are often written into regulations and become prescriptive requirements for specific products, activities and/or industry sectors. Changes in such standards can have significant economic and administrative impacts and should be subject to proper impact assessment consistent with other forms of regulation and quasi-regulation.

The CPLG also notes the direction of the Workplace Relations' Ministers' Council that health and safety agencies are no longer to mandate Australian Standards by referencing these in regulation.

We recommend that there be further expansion of the COAG principles to cover any remaining regulatory standards established by Standards Australia.

⁴ As reported in "Mechanisms for Improving the Quality of Regulations: Australia in an International Context", Staff Working Paper, Steven Argy, Matthew Johnson, Productivity Commission, July 2003



Regulatory Reform

Recommendation 2

That mechanisms be put in place to ensure that all agencies regulating the chemicals and plastics industry comply with the 1997 COAG principles and that annual compliance audits be conducted.

Government response

The Government agrees with the recommendations and the ORR will monitor both agency compliance with the 1997 COAG Principles and Guidelines as well as their obligations with respect to Regulatory Impacts Statements (RISs) and publish results annually. In this respect, the ORR's role applies to all Commonwealth departments and agencies, including those agencies that deal with the chemicals and plastics sector. Additionally, the ORR's role will be expanded to include monitoring of the timeliness of RISs and the compliance details for each agency for any proposal having a significant impact regardless of its regulatory form. The ORR will provide advice to industry, through the CPLG, about the compliance and monitoring regime.

Status

The positive role of the ORR in achieving improved compliance with RIS preparation has already been noted. In this regard, the CPLG acknowledges importance of the Government's commitment to expand role of the ORR.

Further steps

Feedback from industry to the CPLG indicates that the process for consultation on RISs can be improved.

CPLG anticipates the ORR will monitor this aspect of the RIS process and provide guidance to agencies on how to better conform with best practice.

The focus of Recommendations 1 and 2 is on improving the quality of regulations. This is vital, but only one part of the regulatory reform equation.

An analogy comparing regulation design to a motor car may help illustrate the other side of this issue.

Let's assume the reforms implemented through the Action Agenda thus far are the equivalent of producing a better designed car. And, given the vital role of chemical and plastic products in Australia's local car manufacturing industry, let's consider a Holden in this case. Applying this analogy to NICNAS, then reforms to date could be considered the equivalent of moving from a Barina to a base level Commodore.

While our ultimate quality goal is for regulation across the agencies to reach the standard of a Caprice, things appear to be progressing down the right track – regulatory quality in some areas appears to be improving.

However, just looking good in the showroom isn't, at the end of the day, much use. The real test occurs on the road, and ultimately the car's performance is determined not only by its capabilities, but by the quality of the driver.

Even the best regulation and regulatory system can be trashed by bad 'driving', by poor administration. And just as a high performance car is wasted on a mediocre driver, then good regulation will become sub-optimal in the hands of a mediocre administrator.

CPLG believes that as part of the drive for better regulation, the reform agenda must also focus on continued improvement in agency governance, administration and adoption of best practice management.



While the detail for achieving this will be considered in more detail in the next recommendation, CPLG believes well governed and professional managed agencies are as vital to our industry's future as is adherence to principles of good regulation.

Compliance with the COAG principles should be matched by compliance with principles of good governance and administration such as those promoted in the Australian National Audit Office's (ANAO) *Public Sector Governance Better Practice Guide*⁵.

⁵ *Public Sector Governance Volume 1 Better Practice Guide: Framework, Processes and Practices*, Australian National Audit Office, July 2003



Regulatory Reform

Recommendation 3

Carry out a review of the APVMA, TGA and NICNAS, comparing their approaches to consultative/control mechanisms to identify a common efficient structure.

Government response

The Government has considered this issue and as a result, in November 2001 the Government relocated NICNAS to the Department of Health and Ageing. Hence, NICNAS, TGA and the public health assessment of agricultural and veterinary chemicals rests within one structure. However, in an effort to develop a more efficient regulatory system, the Government believes there is merit in individual regulatory agencies being encouraged to identify best practice approaches in use amongst counterpart agencies. If it is found that such approaches are relevant, regulatory agencies should consider the applicability of such approaches for further enhancing the efficiency of their regulatory approaches.

Status

The CPLG has welcomed the Government's broadening of this recommendation to look not just at specific mechanisms relating to consultation and control but at all aspects of regulatory best practice.

Initiatives undertaken so far that are likely to lead to improvements are:

- establishment of the Office of Chemical Safety,
- establishment of the Science Forum; and
- reinvigoration of the Chemicals Clearing House.

Industry also notes improvements in consultation and the inclusion of industry representation on committees developing regulatory policy relating to chemicals and plastics.

To date, however, the process of sharing, disseminating and adopting better approaches for administration and regulatory decision making has been *ad hoc* and piecemeal.

The Government's decision to relocate NICNAS within the Department of Health and Ageing is one way of encouraging inter-agency cross fertilisation of better practice ideas.

However, just as company mergers and acquisitions do not guarantee the new entity will actually implement the best operational practices of both parties, consolidation and/or co-location of agencies does not guarantee agencies will pick and choose the best approaches. There is always a significant risk that when smaller but more efficient agency is relocated into a larger agency or department, the dominant power relationship will mean it has to adapt to the methods of its new host. And as result, best practice may go out the window.

At this stage it is too early to conclusively say whether the NICNAS relocation has been positive, negative or neutral in this regard. The CPLG believes that the potential benefits of consolidation relate more to gaining economies of scale and, as a result, cost-efficiencies. This will be addressed in more detail later.

Further steps

As noted above, progress to date with best practice identification and implementation has been *ad hoc* and piecemeal. The CPLG acknowledges that agencies face daily operational demands and challenges that make it difficult to give sufficient attention to identifying best practice from counterpart agencies.



To overcome this, **the CPLG recommends that the Productivity Commission be commissioned to undertake a review of the operations of APVMA, TGA and NICNAS to identify opportunities for efficiency improvements, productivity targets and the adoption of best practice.**

This review will greatly assist the individual agencies and provide them with a 'road map' for achieving effective regulatory reforms and operational efficiencies.

It will assist the Government by helping it ensure the optimum use of agency resources to achieve desired policy outcomes.

The review will also assist the ORR in its monitoring of RIS and regulatory quality compliance and provide an opportunity for benchmarking agency performance against recent Australian Government policy on public administration governance, most notably the ANAO's *Public Sector Governance Better Practice Guide*.

A Productivity Commission inquiry was one of the options proposed to industry by the Allen Consulting report⁶ as a means of further progressing the regulatory reform agenda.

The CPLG notes that TGA and NICNAS will be the subject of a Cost Recovery Compliance Review by the Productivity Commission in 2004/05 and that APVMA's host agency, the Department of Agriculture, Fisheries and Forestry, will be reviewed in 2007/08.

The CPLG recommends that the review of the Department of Agriculture, Fisheries and Forestry be brought forward and rolled into a broader review of agency operations commencing in 2005.

The CPLG will work with the Government in the short term to define the inquiry's terms of reference.

⁶ *Alternative Models for the Regulation of Chemicals and Plastic Industry*, The Allen Consulting Group, June 2003



Regulatory Reform

Recommendation 4

Relevant regulatory bodies be required to alter their assessment processes to ensure:

1. **recognition of data from overseas sources that test to accepted international standards;**
2. **recognition of chemical approvals from approved countries including substances “grandfathered” in those countries; and,**
3. **consistency with international definitions and/or classifications**

Government response

The Government has committed itself to reducing unnecessary regulation and will actively participate in international harmonisation efforts, including industry consultation, with respect to chemical regulation and risk management. Specifically in relation to recommendation 4:

- i. The Government is continually working towards the development and recognition of internationally acceptable standards for agricultural chemicals and industrial chemicals through international bodies such as the OECD and for veterinary chemicals through the VICH. Any data generated to international standards for industrial chemicals is accepted by Australian assessment schemes. For agricultural and veterinary chemicals, data generated to international standards is generally accepted for human toxicology, worker exposure and environmental chemistry and toxicology, and industry is encouraged to lodge submissions in internationally accepted formats as outlined by the OECD.*
- ii. The Government has legislated provisions for the approval of overseas industrial chemical schemes of equivalent standards. The major overseas schemes of the EU and the US are presently the subject of a major review, and additional data generation respectively, in order to assess and address the problems presented by ‘grandfathered chemicals’ which have not been adequately tested for safety. Hence recognition of unassessed ‘grandfathered’ chemicals is not acceptable on the grounds that it would expose Australia to unacceptable risks and lower our regulatory standards and hence inhibiting our opportunity to harmonise with comparable regulators overseas. In respect to industrial chemicals, it would also specifically breach the objectives of the Industrial Chemicals Notification and Assessment Act 1989 in terms of protection of workers, the public and the environment. This would also breach the objectives of the Agricultural and Veterinary Chemicals Code Act 1994 in relation to protection of workers, the public, the environment and trade. The Government, via NICNAS, is committed to continuing to work with industry to ensure the most efficient regulatory system is in place for industrial chemicals, that is, a system that does not inhibit the introduction of new and safer chemicals. The Government will consider and develop options for access to adequately assessed and/or tested chemical presenting low regulatory concern*
- iii. The Government has initiated national consultation in 2002 with a view to considering the benefits of implementing aspects of the Globally Harmonised System (GHS) for hazard classification and labelling of chemicals.*

The Government will also consult with the proposed CPLG to assist in providing advice on whole-of-government and cross-portfolio issues concerning industrial chemicals such as the GHS.

Status

The CPLG notes the following achievements which aim to improve and streamline the regulatory assessment process:

- NICNAS LRCC initiative and the recent passing by Parliament of the *Industrial Chemicals (Notification and Assessment) Amendment (Low Regulatory Concern Chemicals) Bill 2004*
- Elements of the *Agricultural and Veterinary Legislation Amendment Act 2003*
- NOHSC’s decision to integrate the dangerous goods and hazardous substances regulatory frameworks into one
- Commitment to the Global Harmonised Classification and Labelling for industrial chemicals



For the most part, these are significant and tangible achievements which introduce the concept of risk-resource management into regulatory assessment.

The CPLG particularly welcomes the recent NICNAS LRCC reforms which have the effect of immediately 'excluding' various low concern categories from unnecessary and bureaucratic requirements.

This will be particularly beneficial for cutting the 'red tape' burden for small business, as the low concern product markets can contain significant numbers of smaller firms. The CPLG commends NICNAS's management and staff on the both the speed and professional manner with which the reforms were developed and introduced.

Industry feedback to the CPLG indicates that, despite its similar intent, experience with the equivalent APVMA LRCC reforms is that these have failed to deliver on the promise of cutting red tape and applying agency resources to maximum benefit.

The CPLG notes that the APVMA reforms create a *process* by which categories of products can be 'excluded' from normal regulatory assessment through industry initiated action. It is also noted that this process can be more complex (and potentially more costly) for companies than simply continuing to meet the requirements associated with normal product registration.

For example, while the decision to register a product is an administrative decision delegated to the APVMA under legislation, decisions under the new LRCC process are delegated to the responsible Minister (in this case the Parliamentary Secretary). The complexity of the APVMA reforms negatively impacts on the ability of companies to achieve streamlined approval for low risk products.

The CPLG also notes the initiation of the NICNAS and TGA review of the policy framework for regulating products at the cosmetic/therapeutic good interface. While the draft recommendations of this review are not yet available, it is hoped that through adherence to the guiding principles specified for the review and policies and principles of regulatory reform discussed in this Report, tangible benefits and efficiency improvements in the priority product categories will be delivered.

In meeting with the CPLG in December 2003, Minister Macfarlane and Ms Worth both commented on the importance of the GHS implementation. The CPLG was informed that the classification and labelling elements would be looked at separately and that the ramifications of labelling issues would be considered by NOHSC (for workplace) and by the scheduling committee (for domestic products).

Further steps

The CPLG believes LRCC reforms are a vital plank of the regulatory reform agenda. When well designed and properly implemented, they provide the agency with the additional benefit of freeing itself up to focus its financial and human resources on the issues of real concern, the problems of real economic, social and environmental impact, and the products and chemicals of highest risk. They can greatly improve agency efficiency and effectiveness.

LRCC reforms go back to the first principle of the COAG principles and guidelines – they ask “is regulation needed?” and, if so, “what form is most appropriate?”

The CPLG recommends that all agencies continue to investigate opportunities for introducing low regulatory concern reforms as well as enhancing the reforms currently in place.

The CPLG recommends that NOHSC consult with industry on policy development, implementation plans and timetables for GHS for industrial chemicals and NDPSC in consultation with industry, consider ramifications of classification and labelling of GHS for domestic and agricultural/veterinary products.



Regulatory Reform

Recommendation 5

The development of a National Chemicals Policy. That policy to include a nationally consistent mutual commitment to:

- 1. Environmental quality**
- 2. Workplace and consumer health and safety**
- 3. An internationally competitive chemicals industry**
- 4. Consumer education.**

Government response

The Environmental Protection and Heritage Council (EPHC) has recently approved the establishment of a National Taskforce on Chemical Management and Regulation. The Taskforce will scope issues associated with the need for a national approach to ecologically sustainable chemicals management and regulation. Chaired by the NSW DEC Director General, it will draw on membership from representatives from different EPHC jurisdictions and representatives from each Primary Industries Ministerial Council, Australian Health Ministers Council, Workplace Relations Ministers Council. It will report its scoping work in February 2003 and the CPLG will be tasked to provide input and a submission into this process. Additionally, the Government believes the industry should continue to work with all parties to improve the environmental performance of the chemicals and plastics industry. Government is committed to ensuring development of nationally accepted chemicals policies. For agvet chemicals policy this mechanism is already in place through the AVCPC, established under the Primary Industry Ministerial Council. One of the major achievements of this arrangement has been the National Strategy for the Management of Agvet Chemicals, which was launched in 1998. Progress in implementing this strategy is currently being reviewed by the AVCPC using a risk-based performance assessment approach.

Status

The June 2003 Joint Government/Industry Progress Report⁷ noted that EPHC had finalised its report. The CPLG has met with the Chair of the EPHC Taskforce to consider the implications of the report's recommendations and the ongoing work program. The CPLG notes the launch in April 2004 of the National Chemical Information Gateway.

However, the primary focus of EPHC activities is on just one of the four elements of the Action Agenda recommendation for a National Chemicals Policy.

The Allen Consulting Group report⁸ commissioned by ACCI, ACSPA, APMF and PACIA also considers the national policy framework for chemicals and plastics.

Greater national uniformity (or even national consistency) is essential to the long term viability and competitiveness of the industry.

Secondary ramifications of scheduling action recommended by the NDPSC to remove substances from the domestic market, has seen unintended and significant disruption to commercial business practices because specific States and Territories legislation cross reference licensing and permits to Schedule 7 of the Standard for the Uniform Scheduling of Drugs and Poisons (SUSDP). Despite the identification of such State by State differences and acknowledgement of the difficulties caused, no mechanism or forum exists through which priority review and nationally uniform (consistent) recommendations could be developed.

⁷ *Government and Industry Progress Report to the Minister for Industry, Tourism and Resources, Chemicals and Plastics Action Agenda, Regulatory Reform Initiatives – 1 June 2003*, presented by the Hon Trish Worth and Mr Mike Dwyer.

⁸ *Alternative Models for the Regulation of Chemicals and Plastic Industry*, The Allen Consulting Group, June 2003



Further steps

The CPLG notes that while there has been significant progress in some aspects of reforming the regulatory system, the approach so far has been incremental and is generally being implemented on an agency-by-agency basis. Further, there needs to be an emphasis placed as well on State and Territory regulations.

From industry's perspective, the Allen Consulting Group report takes things to the next level.

It canvasses options for progressing national policy development, from establishing a dedicated council of Australian government ministers, to intergovernmental agreements, to holding a national forum.

The Allen report was commissioned to recommend mechanisms to restart stalled efforts for greater national uniformity of regulation impacting on the products and operations of chemicals and plastics companies.

The CPLG also notes the significant and related policy development currently taking place for trans-tasman harmonisation and the proposed establishment of a joint Australia/New Zealand therapeutic goods agency.

The CPLG believes that as an essential pre-step to further progress of a national policy framework for the reform of chemicals and plastics regulation and to achieve its goal of a revised, streamlined and nationally uniform (consistent) regulatory system, the various sectors of the chemicals and plastics industry must jointly consider and agree

- A map of the existing regulatory system,
- Priority areas for reform,
- Preferred option/program for achieving such reform, and
- Proposed timetable.

The CPLG therefore proposes to facilitate an Industry Forum to be held in early 2005.



Regulatory Reform

Recommendation 6

Regulatory agencies that use cost recovery be subject to enforceable productivity targets.

Government response

Many issues associated with cost recovery will be considered by the Government in finalising its response to the Productivity Commission (PC's) Report on Cost recovery. Specifically with regard to this recommendation, the Government will need to await the development of the final response to the PC report before responding. It is important to note that the Government agrees with the Commission's recommendations that all cost recovery arrangements should have clear legal authority. Also, that revenue from cost recovery should be transparently identified in budget documentation and agency reporting. The Commission proposes detailed cost recovery guidelines for reviewing existing arrangements and test new cost recovery proposals. It considers that guidelines will enable Commonwealth agencies to decide on the appropriateness of cost recovery for their activities and the best approach to implementation of cost recovery. The Government will now commence a process of examining in detail the proposed guidelines in consultation with affected agencies. This process will inform, over the coming months, the preparation of the Government's final response to the Commission's report.

Status

As noted under Recommendation 3, the Productivity Commission is scheduled to review NICNAS and TGA in 2004-05 and APVMA's host agency, Department of Agriculture, Fisheries and Forestry, in 2007-08. (The CPLG has recommended these reviews be rolled into a broader and more comprehensive Productivity Commission inquiry to identify opportunities for efficiency improvements and the adoption of best practice.)

Industry feedback received by the CPLG highlights some concerns regarding the transparency of cost recovery arrangements.

Putting aside the need for ongoing agency cost-efficiencies to reduce the financial burden on industry, there is one other key principle that industry expects agencies (and indeed governments) to adhere to. That is, the "no surprises" principle.

When it comes to regulatory fees and charges, for its business planning, industry expects predictability in assessing and determining its likely liability for the coming financial year. This means knowing the level of fees and charges at least six months out and not being hit with unexpected increases (above reasonable inflationary levels) without sufficient warning and justification in terms of program activities.

All businesses and small businesses in particular, are adversely affected by unplanned costs. Some, like currency fluctuations and petrol price increases, are naturally volatile and part of the risks to which businesses are exposed.

Others, like regulatory costs, are entirely within the control of agency management and should be predictable up to three years out. It is not unreasonable for business to have same expectations that governments have of their departments when it comes to regulatory agency cost recovery demands.

The CPLG is advised that in the lead up to the 2004-05 financial year, both NICNAS and APVMA have proposed increases to fees and charges raised under cost recovery arrangements. The CPLG's understanding is that these issues have been negotiated or are currently under negotiation.



From the CPLG's perspective, it is the principles arising from these negotiations that are of most interest. Transparent activity-based budget details are still not as available from all agencies as they should be in accordance with new cost recovery policies.

This lack of transparency is also impeding industry scrutiny and efforts to ensure that agencies seek productivity improvements and cost savings by introducing reforms and innovations, like LRCC initiatives.

Further steps

CPLG notes that the Cost Recovery reforms introduced by the Productivity Commission are relatively new and does not expect that agencies will be 100% compliant immediately.

The CPLG believes that the improvements sought under this recommendation can be progressed by implementing our recommendation that the Productivity Commission conduct an inquiry to identify opportunities for efficiency improvements, productivity dividends and the adoption of best practice within the APVMA, NICNAS and TGA.



Regulatory Reform

Recommendation 7

Appropriate monitoring arrangement should be put in place to measure agencies' productivity against targets.

Government response

The Government will consider this recommendation once its final response to the PC's Report on Cost Recovery has been developed.

Status

Refer to Recommendation 6.

Further steps

Refer to Recommendation 6.



Regulatory Reform

Recommendation 8

The Government should fund the public good aspects of regulatory agencies' activities.

Government response

The Government will consider this recommendation once its final response to the PC's Report on Cost Recovery has been developed.

Status

The CPLG notes the Government's response to the PC report to conditionally agree to this.

Further steps

Refer to Recommendation 6.



Regulatory Reform

Recommendation 9

Regulatory assessments should be open to alternative service providers.

Government response

The Government supports this in principle, balanced with the requirement for rigorous health, safety and environment standards setting processes and policy advice. The Government has already considered and is finalising its response to the use of alternate non-government service providers with respect to the APVMA.

Status

The CPLG notes that the chemicals and plastics industry has not been actively engaged in furthering the dialogue on the use of alternate non-government service providers.

The CPLG is aware of recent comments regarding outcomes of the Therapeutic Products Interim Ministerial Council in a statement released by the Hon Trish Worth MP, Parliamentary Secretary to the Minister for Health and Aging and the Hon Annette King, Minister for Health, New Zealand (dated 16th July 2004) that

“Ms King and Ms Worth agreed that, given the attendant risks to public health and safety, conformity assessment should not be outsourced to the private sector. International best practice dictates that regulatory decision making should occur at arms length from commercial interests.”

Further steps

The CPLG would invite the relevant Parliamentary Secretaries overseeing the activities of the TGA, NICNAS and APVMA to initiate discussion with industry on this important part of the Chemicals and Plastics Action Agenda recommendations.

Refer also to Recommendation 6 and the CPLG’s recommendation that the Productivity Commission conduct an inquiry to identify opportunities for efficiency improvements, productivity dividends and the adoption of best practice.



Regulatory Reform

Recommendation 10

(i) Involve industry from the inception through to implementation phase of greenhouse gas abatement policies and strategies that impact on industry

(ii) Negotiate the implementation of the Kyoto Protocol flexibility mechanisms so that they operate in an efficient and transparent manner

(iii) Only implement a mandatory domestic emissions trading scheme if the Kyoto Protocol is ratified by Australia and enters into force, and there is an established emissions trading scheme

(iv) Avoid greenhouse gas abatement policies and measures that would distort investment decisions between particular projects and locations

Government response

The Government is developing a forward strategy to address climate change focusing upon the longer term. In developing the way forward the Government is actively consulting with the business community. The strategy will build on Australia's competitive advantage and its domestic policy setting will balance flexibility and certainty, and emphasise cost effectiveness.

Status

The Government involved industry in its policy considerations effectively through the Government/Business Greenhouse Dialogue and had the opportunity to present its views in the report to the Ministerial Round Table in April 2003. The Plastics and Chemical Industries helped develop the submission on the energy intensive and import competing sectors. The Prime Minister's statement "Securing Australia's Energy Future" essentially deals with the concerns raised in Recommendation 10. No further action is anticipated unless government policy changes and favours ratification of the Kyoto Protocol.



Investment

Background

The Investment Working Group was established to implement the recommendations relating to investment and re-investment in the industry, specifically Recommendations 11 through 13.

Investment Working Group Members:

Martin Jones (Chair) - PACIA and CPLG Secretariat until April 2004; CSR Sugar
Noel Williams - Dow Chemical (Australia) Ltd
Mike Dwyer - CPLG Chair; Viscount Plastics
Peter Hood - Coogee Chemicals

CPLG Response to Recommendations 11-13

Recommendation 11

11 (i) Amend the Tariff Concession Scheme to ensure that Australian manufacturers are able to source imported goods not made in Australia at a zero tariff rate.

Government Response

The Government is committed to reducing any unnecessary imposts on business and will review its position in relation to the Tariff Concession Scheme in the context of establishing its budget priorities. The Government believes the duty on business inputs can be removed when there are clear net benefits to do so and removal is within the context of fiscal responsibility.

Status

The Australian Government committed to remove the Tariff Concession Scheme and other unnecessary imposts on business within the context of fiscal responsibility. So far after three budgets, a satisfactory outcome has not been achieved. The scheme was introduced by government for a 12 month period to assist the government deal with a financial deficit. The budget has remained in surplus for a considerable time. The TCS remains as an unnecessary burden to this industry as a tax on inputs and replacement equipment. While larger projects may gain exemptions, it is an additional administrative burden on companies to apply for and secure those exemptions. It is a burden on the competitiveness of Australian industry in modernising its equipment and reduces Australia's ability to innovate and compete internationally. As more free trade agreements are negotiated, this TCS will become less relevant and should be removed now.

Further Action

Industry will continue to remind government of the commitment it made. "The TCS will be removed during this term of government."

11(ii) Support a study of the product types in which the Australian industries could succeed in import replacement and/or increased exports considering the growth of other linked industries.

Government Response

The Government, through the Department of Industry, Tourism and Resources (ITR), will support a study into the identification of relevant product types that could be the basis of additional exports or improve the competitiveness in these niche markets and will work with industry via the CPLG to develop the appropriate terms of reference. The study will be completed by 2003. Additionally, ITR will liaise with ISONET and the Industrial Supplies Office network to determine what assistance it can provide to the industry to highlight its capabilities. The Government, through Austrade, is able to



assist specific companies and/or the industry more broadly to develop relevant export strategies. The development of an industry export strategy would need to draw on advice from or analysis by the industry of current export performance, capability and perceived barriers, both direct and indirect, in this sector. To further encourage a more international orientation an export guide for SMEs in the industry has already been produced.

Status

Government agreed to fund data collection through ABS and in conjunction with the ISO office and industry-identified companies to survey as part of this study. Several companies responded. A common barrier to investment raised by respondents was the small size of Australian markets and strong import competition. Other factors mentioned were the availability of suitable raw materials, high cost of construction in Australia relative to other places, high exchange rate, tax imposts on raw materials, local council permits and approvals, and (for smaller companies) the cost and complexity of chemical registration (i.e., NICNAS). The study did not identify any specific areas of opportunity. It was therefore decided not to continue further work in this area. However industry is aware of appropriate channels either through industry associations and government to pursue specific opportunities.

11(iii) (Government to) take a proactive role in international trade fora in order to remove international trade barriers. It should also continue its efforts to negotiate bilateral trade agreements. The Government should involve the industry in this process.

Government Response

The Government will continue to take a proactive role in international trade fora to advance the interests of Australian industry. In particular, the Government is actively engaged in negotiations within the World Trade Organization (WTO) aimed at reducing or eliminating trade and non-trade barriers to all products, including chemicals and plastics. The Government is also engaged in bilateral trade negotiations with a number of countries aimed at reducing trade barriers. The Government will continue to consult with the chemicals and plastics industries in these efforts. The Government will assist, work closely with and report back to the industry with respect of the APEC Chemical Dialogue. The APEC Chemical Dialogue has already acted as a driving force and directed a focus on the implementation aspects of the GHS.

Status

The Government is actively engaged through the WTO and in bilateral agreements to remove trade barriers. Through the APEC Chemical Dialogue, the Government supported the Globally Harmonised Systems (GHS) process and opposed the proposed European REACH system of chemical regulation (and potential trade barriers).

Several economies have been willing to embrace tariff reform on the basis that they have imposed sufficient non-tariff measures (NTMs) to provide alternative forms of import protection.

The sub-committee on customs procedures has been reluctant to meet with the APEC Chemical Dialogue and Australian Government support would be welcome in this difficult area. In some cases capacity building is required. Australia remains one of the economies most open to trade in chemicals and plastics and the industry seeks reciprocity in this regard.

Some APEC economies have requested a WTO sectoral round for the chemical industry. Those nations advocating free trade in chemicals have in place sufficient NTMs, such that benefits are accrued from many, for the benefit of few. The Australian industry does not support this. APEC is about NTMs, not tariffs. Furthermore, it is more important that all sectors are supported for free trade which will increase pull-through demand for plastics and chemicals products.

Further Action

The Australian Government needs to follow through its commitments made by Minister Vaile at APEC to advance the GHS in Australia. Australia, having taken the initiative with GHS, is falling well behind



several of the Asian economies in pursuing GHS. See further comments and recommendations for further action under Recommendation 4.

Through APEC, government and industry need to work to advance reforms in non-tariff barriers, including customs reforms. Industry and government should not support a WTO sectoral round for chemicals. Industry is supportive of government efforts to pursue throughout APEC a consistent approach to chemical assessment and registration, building on the Canadian bilateral agreement. While it has been difficult for industry to attend all the APEC meetings, this is a valuable forum and industry would like to see continued government support for the chemical dialogue. Comments here build on those in Recommendation 4.

11(iv) (Government to) identify and reduce some cost imposts that make coastal shipping in particular so expensive (this might include allowing international vessels to provide coastal shipping services).

Government Response

The Government is currently reviewing the future for Australian shipping, including coastal shipping. The Department of Transport and Regional Services is prepared to discuss any specific issues directly with the industry.

Status

While the Productivity Commission is holding a reform inquiry into the Liner Cargo trade, there has been no review made available to the industry.

Industry believes that the Single Voyage Permit (SVP) serves no purpose in a climate of free trade and low tariffs. The SVP distorts relationships with ship owners and makes coastal trade complex and difficult. In short, it is dysfunctional. Expensive trucking of hazardous goods by road has become the norm wherever feasible. It is often more cost-efficient for producers to export surpluses from one part of the country and import to another Australian port than use coastal shipping for local trade.

Government has not been responsive to industry requests for reform of this area. For companies to have to go to Canberra to seek permits to ship a load of product from one part of Australia to another, following a complex and tortuous path only to find no vessel positioned for the trade, and meeting the barriers erected by a monopoly operator, makes this anachronistic process frustrating and often futile. There are only three major companies worldwide that compete for this trade – providing a monopoly to one internationally-owned operator with one vessel on the Australian coastal trade is no longer in the overall interests of the industry.

Further Action

Industry seeks reform in this area. A blanket exemption should be provided to the chemical industry to enable international vessels to be used on this trade.



Investment

Recommendation 12

12 The Australian Government should:

(i) Acknowledge that the chemicals and plastics industry is integral to the health of the Australian economy and commit itself to the long term viability of the industry.

Government Response

(i) The Government endorses the vision and goals that the industry has set itself, in particular its vision "to be a sustainable dynamic and innovative industry underpinning Australia's industrial growth capturing significant domestic and export markets". The Government believes that the Action Agenda initiatives will support the industry in achieving its goals of increased growth and competitiveness; enhancing the regulatory system under which it operates; expanding its linkages with other industry sectors; increasing its level of research and development; improving the skills of its workforce; and a commitment to environmentally, socially and economically responsible practices. The finalised Action Agenda also acknowledges the importance of the industry to the Australian economy, particularly through the creation of the Chemicals and Plastics Leadership Group that will provide the industry with a mechanism to regularly discuss industry policy concerns. A key issue for this industry and for Australia's future prosperity depends on success in winning overseas investment. To strengthen investment promotion and attraction, the Government has committed \$44 million over 4 years to expand and revamp Invest Australia activities. Since 1 July 2002, Invest Australia has operated as an autonomous agency, taking on the investment promotion and attraction activities of other Commonwealth agencies. These functions will allow Invest Australia to develop an appropriate whole-of-nation strategy for promoting and attracting overseas direct investment into Australia. It will be charged with ensuring this strategy is implemented effectively and efficiently.

Status

The industry considers that the Action Agenda has provided a useful forum with government and the minister for the period it has been in force. An ongoing mechanism needs to be developed to ensure that this vital part of the fabric of the Australian economy can flourish and not be stifled by duplicative and inconsistent legislation. Unlike the automobile and pharmaceutical industries, which are primarily regulated at a Commonwealth and Commonwealth-led level, the Plastics and Chemical Industry suffers from a lack of coordination between agencies and a piece-meal approach to legislation and reform efforts. The same could be said for measures intended to aid the development of the industry, which comprise a mixture of State and Federal-based initiatives, often of a generic nature, rather than measures specifically directed towards the sector.

Further Action

The CPLG recommends improved mechanisms for regulation and policy regarding the ongoing interface between government and industry, as discussed in Recommendation 5. Implementation of further action in recommendation 12(ii) will assist the industry to develop a long term future.

12(ii) (Government should) consider mechanisms to address feedstock cost / price impediments, including by providing for a different tax treatment for gas used as feedstock in local processing industries.

Government Response

(ii) The Government has set in place a number of reviews which are investigating the requirements and needs associated with natural gas production and distribution, including the Gas-to-Liquids (GTL) Taskforce and the Commonwealth Taskforce on Natural Gas. The Government will consider this issue in light of the relevant findings and respective review outcomes.



Status

Government agreed to consider this issue in light of relevant findings of the Gas to Liquids (GTL) task force and the Commonwealth Task Force on Natural Gas. The findings of these reports largely preceded implementation of the CPLG.

Several requirements are necessary to develop major petrochemical projects. These are competitively priced raw materials, access to markets, scale, competitively priced energy, political stability, skilled workforce, infrastructure and competitive construction costs. Australia is strong in many of these factors, but suffers competitive disadvantage with construction costs. It must also be competitive and have sufficient quantity of raw materials for the life of a project.

Most nations do not tax petrochemical feedstock. To be competitive, attractively priced feedstock is the first hurdle an investor examines for new projects. Government must be prepared to look at specific cases to ensure Australian raw materials are internationally competitive. Government is often criticised for not having a vision or plan for an industry. By building on the Western Australian Government study into petrochemical feedstocks and extending it nationally, a clear picture of opportunity will emerge. Further plans to develop likely projects together with potential time frames can then be promoted to likely proponents through Invest Australia, in combination with the industry.

Further Action

Extend the WA study into petrochemical feedstocks nationally, with such a study funded by the Australian Government in consultation with industry.

The full extent and scope of such a study cannot be determined until the final WA report is issued. It should however embrace:

- Availability of feedstocks for world-scale petrochemicals production (significant resources by location and quantity)
- Competitiveness of feedstocks and any tax impediments to competitiveness
- The alternatives of greenfields development or extensions to existing sites
- Examine the petrochemical building blocks – the study should embrace methane as well as ethylene derived product chains

This study will provide government and industry with the first step in a national plan to move the industry forward by at least identifying where competitive raw materials may exist now and in the future. It forms the foundation for Invest Australia to promote opportunities to international investors.



Investment

Recommendation 13

13. The Commonwealth should take the lead in developing mechanisms to provide for common use infrastructure with the costs repaid through user fees over a specified time period. The Commonwealth's role could initially include bringing the stakeholders together, and assisting with resolving cross-jurisdictional issues.

Government Response

Invest Australia has a Strategic Investment Coordination (SIC) process which is of relevance to this sector. A concrete example being the facilitation of an \$85 million investment incentive to Methanex Corporation to secure the development of a \$1 billion world scale synthesis gas (syngas) and methanol plant. The investment incentive will in part be used by Methanex Corporation to develop multi-user infrastructure and will assist in attracting additional investment on the Burrup Peninsula. The Government will utilise the CPLG as a source of advice and as part of any future consultations. Develop multi-user infrastructure and will assist in attracting additional investment on the Burrup Peninsula.

Status

CPLG acknowledges that the Government has established the Strategic Investment Coordination process to facilitate infrastructure assistance. Opportunities for infrastructure have been pursued on the Burrup Peninsula (WA). This is an essential component of project development for international competitiveness.

Further Action

Consideration needs to be given to a policy extension to the support restoration of infrastructure at existing sites. Recycling and extension of so called "brownfields" sites is infrastructure intensive, as sites upgrade to meet the latest environment, health and safety requirements and become internationally competitive. While less intensive than development of greenfields sites, provision of common and/or upgraded infrastructure is nevertheless an important component of competitiveness when established (older) sites have to compete with new international facilities where infrastructure has been supported by government.



Innovation & Exports

Background

The Innovation and Export Working Group (IEWG) was established as a core team under the auspices of the Chemicals and Plastics Leadership Group (CPLG) as part of the industry response to items 14 to 19 of the Chemicals and Plastics Action Agenda.

Innovation and Exports Working Group Members

Appointed Members

- John Petschel (Chair) - APS Plastics Pty Ltd
- Dr. Errol McGarry - Immediate Past President, Australian Industrial Research Group; *formerly* Huntsman Corporation Aust. Pty Ltd
- Kevin Chambers - Director, Strategic Export Advisory & Marketing Services; *formerly* KEVRON Plastics Pty Ltd
- Mike Craft - Director, RWR Veterinary Products

Co-opted Members:

- Han Michel - E-three & Associates Pty Ltd
- Mark Feenane - APS Plastics Pty Ltd

Role and Activities of Working Group

The role of the **Innovation and Export Working Group (IEWG)**:

- to oversee implementation of Recommendations 14 through 19 of the Australian Chemicals and Plastics Industry Action Agenda
- to provide advice to government on innovation and export via the CPLG.
- to be a vehicle to drive government action for future and ongoing innovation in the chemical and plastics industry

IEWG Activities

- IEWG conducted a number of consultative meetings with Australian and State Government bodies including key staff of AusIndustry, Austrade and Office of Manufacturing (Vic).
- Consultative workshops, funded by a grant from DITR under the *Innovation Access* program, were conducted in Adelaide, Brisbane, Melbourne and Sydney with industry and representatives of peak government bodies in attendance.
- A number of diverse case studies were presented at these workshops including Anabranch (see PowerPoint presentation). Progressive reports have been provided to CPLG.

Overall, the focus has been on reviewing the programs and approaches available to stimulate, facilitate and grow the benefits of innovative activities to benefit innovators and the Australian economy as a whole.

Table 1: Key Segments of the Ideas to Market Process

Stimulating	Facilitating	Growing
Increasing expenditure on innovation programmes & R&D <ul style="list-style-type: none"> • Collaborative R&D – Public & Private sectors • Access to Government & other support funding • Finding the right partner • Managing projects 	Ideas to Market <ul style="list-style-type: none"> • Innovator/Industry interface – provision of support • IP Protection • Business Planning • Access to Government and other support funding • Finding the right partner(s) • Technology diffusion 	Developing local and export markets <ul style="list-style-type: none"> • Accessing Government support programmes • Training • Financial support



Innovation & Exports

The IEWG has been involved in a number of projects to collect and validate information to contribute to the development of a 'solutions report' focusing on...

- Stimulating innovation
- Improving access to government funding for innovative programs
- Improving the quality of submissions seeking government support.

The Group has sought to develop a detailed understanding of the process administered by AusIndustry as well as the relevant state bodies.

In addition, workshops were conducted in Melbourne, Adelaide, Brisbane & Sydney involving AusIndustry, relevant State bodies as well as representatives from various industries and industry and professional associations. Feedback from these workshops has been used in developing the ongoing action program. A summary report from the workshops appears in Appendix C.

Summary of Findings

- a) The Chemicals and Plastics Industry is not well defined and it is difficult to determine the proportion of R&D funding specific to the sector – or other sectors.
- b) There is not a need for additional funding to be allocated in support of innovation. The diverse range of R&D funding programs, tax concessions and other funding avenues and assistance available is unnecessarily complex and poorly understood. They do not necessarily provide an incentive to innovation nor do they promote R&D activities particularly for SMEs.
- c) Many innovators and SMEs find the range of support programs and the forms and documentation required daunting. They do not have the capability or experience to conform with the requirements necessary to access the R&D grants administered by AusIndustry and often lack the resources to obtain outside assistance to meet these requirements. This has the effect of deterring potential applicants.
- d) The support and services provided, particularly by AusIndustry, are generally excellent but are geared more towards larger companies and existing businesses with appropriate infrastructure to fully take advantage of AusIndustry and other programs. With some minor amendments AusIndustry guidelines could better address the need of SMEs without requiring additional funding.
- e) Monitoring of funding outcomes i.e. - success of projects, planned versus actual benefits and accountability for program expenditure could be improved.
- f) The R&D Tax Concession Scheme is failing in its aim of stimulating business investment in R&D because of its high relative cost of compliance, its retrospectivity and because it does not feed directly into the R&D budget. It seldom, if ever, becomes a factor in project decision making.
- g) With appropriate support and guidance, the time taken to successfully commercialise innovation could be significantly reduced thereby accelerating the benefits to be derived.
- h) More programs offering training, encouragement and support to potential exporters are needed.
- i) Better funding outcomes and commercial successes with appropriate support will drive exports.
- j) Coordination between industry associations, industry and public sector research institutions is poor due to the multitude of entities.



Innovation & Exports

Detailed Report and Recommendations

Recommendation 14

The Government should assist smaller companies gain access to sources of innovation by designing programs that offset some of the costs associated with attendance at technical fairs and conferences. In turn, industry should ensure that technical information obtained is spread throughout the industry.

Government Response

The Government through Backing Australia's Ability has developed a suite of programs that provide for technology diffusion and cooperation. The Government, through AusIndustry, will also provide advice to the industry when firms and/or associations develop project proposals to assist them to prepare their applications. The Government will also produce a guide to innovation programs specifically for the sector.

Findings

From a review of the programs currently operating, the IEWG has concluded that there is no need for additional funding to be allocated in support of innovation in this sector. However, the diverse range of funding programs, tax concessions and other funding avenues and assistance available is unnecessarily complex and poorly understood. They do not provide an incentive to innovation nor do they promote R&D activities for SMEs or larger companies. Moreover, many innovators and SMEs find the range of support programs and the forms and documentation required daunting. SME applicants rarely have the capability or experience to conform to the requirements necessary to access the R&D grants administered by AusIndustry and often lack the resources to obtain outside assistance to meet these requirements. In particular, they often require greater support in the development of detailed business plans which are essential and important requirements. This has the effect of deterring potential applicants.

The AusIndustry grant process is directed towards projects originating from a conventional R&D process following strict scientific methodology. Whilst this is apparently sound, it should be recognised that not all innovation comes out of such programs and more flexibility is required when dealing with inventors rather than scientists. The small inventor frequently lacks both the funds and the business experience necessary to comply with the grant application requirements.

Recommendations

1. In order to promote understanding of the financial support available and improve access to this support, ***Mentoring Groups***, should be established in all major states with a national chairman/coordinator to oversee their implementation and maintain consistency across the country. These mentoring groups should consist of representatives from both the public and private sectors with experience in the management and commercialization of innovation programs. The Mentoring Groups will provide a first point of call option for innovators where they can access advice and support. The initial Mentoring Group will be established in Victoria with select C&P representatives.
2. A grant of \$200,000 should be made available over two years to provide for the Chairman, administrative support, travel and publicising the Group and its role. At the end of this period, the process should be reviewed, the value of the Mentoring Groups assessed and their future decided.
3. The Mentoring Group model should be applicable to all industry sectors and if the Chemicals & Plastics model is successful, it should be extended into other industry sectors.
4. AusIndustry guidelines should be amended to cater more for the needs of SMEs. In particular, some financial support should be provided for the development of preliminary Business and Technical plans.



The aim is to fill the existing gap between an invention and where AusIndustry presently can provide meaningful assistance. This recommendation will provide an independent and professional evaluation of the both the applicant and the project. The results and recommendations from the preliminary Business and Technical plans will assist AusIndustry determining whether the application should proceed further.

IEWG's recommendation for an amendment to AusIndustry guidelines is therefore low budget and more accountable in that only projects / inventions with a measured level of success potential are considered. This recommendation fills the gap between the SME's and the existing AusIndustry system, without directing / confusing the applicant by referring them to other assistance schemes that may or may not help.



Innovation & Exports

Recommendation 15

Over the next two years closely monitor levels of chemicals and plastics industry R&D expenditure, to determine the impact of the Innovation Statement policies and if necessary, supplementary measures should be introduced.

Government Response

The new measures for the R&D Tax Concession are designed to give effect to the Government's strategy to encourage investment in business research and development. The Government has a commitment to evaluate the overall effectiveness of the new measures within three years. In addition, as part of its administration of the R&D Tax Concession, to ensure that there are no unintended consequences, the Industry Research and Development Board will monitor the impact of the new measures and the capacity of business and industry sectors to claim the concession.

The Government will also monitor Australia's performance more generally through the release of an annual government innovation report.

Findings

A review of all AusIndustry grants provided over the past six years has revealed an extremely extensive list classified using ANZIC codes. Unfortunately, the Chemicals and Plastics sector is extremely diverse and cannot be adequately identified using the ANZIC classification and consequently the grants directed into this sector are unclear but the assessment is that it is rather small.

Although a large amount of support has been provided across all industry sectors, the monitoring of funding outcomes in the form of technical and commercial success of projects, planned versus actual benefits and accountability for program expenditure should be improved.

The R&D Tax Concession Scheme, providing tax concessions in excess of \$550M per annum, is failing in its aim of stimulating business investment in R&D because:

- The high cost of compliance compared with the benefits provided. Accounting companies and consultants aiding in preparing tax submissions are major supporters of this scheme but this only diverts benefits away from innovation programs.
- The retrospectivity of the benefit means that it has little, or no, influence on decision regarding the level of investment in R&D or the projects undertaken.
- The benefit from the scheme appears on the bottom line of the balance sheet and is not factored into R&D budgets or other decisions on R&D investment.
- A beneficial aspect of the scheme is that it is an entitlement rather than a grant and therefore provides an assured benefit to industry. For small business, it provides some benefit but is less beneficial than funding at the start of the program which is the time that most innovators experience greatest difficulty in accessing financial support.

Recommendations

Monitoring of program outcomes needs to be tightened with greater accountability for funds allocated versus benefits derived from the support.

The R&D Tax Concession Scheme is not delivering value for money and should be replaced by an alternative scheme providing equivalent funding at the **commencement** of the R&D program with clear criteria established for ongoing funding and performance measure put in place.

This will have the effect of genuinely stimulating private sector R&D investment rather than diverting funding to outsiders who aid in compliance with tax scheme requirements.

However, it must be emphasised that scrapping the R&D Tax Concession Scheme without replacing it with a constructive alternative, would have a strongly detrimental effect.



Innovation & Exports

Recommendation 16

That an Innovation liaison Office be created with representatives in each State and Territory.

Government Response

The Government will through AusIndustry State and Territory network of offices provide first point of call assistance and advice to the sector on the range of Government innovation programs available. Additionally, the Government has established a science and industry portal (www.scienceandindustry.gov.au) which provides easily accessible information about a range of science, industry and innovation programs.

Findings

The support and services provided, particularly by AusIndustry, are generally excellent but are geared more towards larger companies and existing businesses with appropriate infrastructure to fully take advantage of AusIndustry and other programs. With some minor amendments AusIndustry guidelines could better address the need of SMEs without requiring additional funding.

Comments under Recommendation 14 are also relevant here.

Recommendations

The establishment of industry supported Mentoring Groups focused primarily on SME innovators will assist in the development of a greater understanding of the support programs available and will improve the standard of the applications reaching AusIndustry.

AusIndustry guidelines should be amended to cater more for the needs of SMEs. In particular, some financial support should be provided for a preliminary business assessment prior to the development of detailed Business and Technical plans.



Innovation & Exports

Recommendation 17

That a specific mechanism be created to ensure better interaction and better linkages between the private industry and those relevant public research institutions.

Government Response

The Government agrees with this recommendation and will work with the CPLG and interested stakeholders, including relevant Cooperative Research Centres, in promoting better linkages. Mechanisms and options to give affect to this recommendation should be developed by the CPLG for further consideration.

Findings

AusIndustry in conjunction with the Industry Advisory Group at Melbourne University, has undertaken a survey and has published the results together with a guide for potential collaborators titled "Research Collaboration between Industry and Universities".

Recommendations

- AusIndustry, together with the CSIRO, other relevant public R&D groups and industry bodies, should extend this guide to cover collaboration between Industry and other Public R&D sectors such as the CSIRO and Cooperative Research Centres
- The Mentoring Groups should include representatives from the Public sector who could provide guidance in developing collaboration with their sector.
- The collaborative guides should be actively promoted by both Government and Industry bodies.
- It would be beneficial to more actively promote/publicise the commercially successful funded projects



Innovation & Exports

Recommendation 18

That the Government supports a marketing and awareness raising campaign to lift the profile of innovation and R&D programs to the industry.

Government Response

The Government, through AusIndustry, undertakes that it will work with the CPLG to maximise opportunities for the chemicals and plastics industry to take advantage of the Government's innovation programs. This includes targeted presentations and seminars at meetings jointly organised with industry associations and then subsequent one-to-one discussions with those companies that wish to put forward proposals. The Government, through the Department of Industry, Tourism and Resources, also commits to undertaking case study work on chemicals and plastics firms that have accessed programs and the benefits that have been derived to further promote the benefits of innovation. A specific guide for the sector on innovation and the range of services and programs will also be produced.

Findings

The IEWG with the support of an Innovation Access grant has undertaken a number of workshops in Melbourne, Adelaide, Brisbane and Sydney bringing together representatives from AusIndustry, various State bodies, professional association and industry organizations and representatives of SMEs, aimed at developing a greater understanding of the support available and the difficulties experienced and impediments encountered by potential applicants. The key findings from these workshops are covered under the previous findings and recommendations.

The IEWG has developed a draft "Guide for Innovators" in a simple brochure to make potential applicants aware of grants available, requirements when applying and best practice in protecting and developing their product/invention.

Recommendations

The "Guide for Innovators" should be created and printed in a form suitable for distribution through Industry bodies and AusIndustry



Innovation & Exports

Recommendation 19

In establishing biotechnology centres of excellence, the Government should provide the scope to include an element of the emerging bioprocessing industry.

Government Response

The Government announced funding of \$46.5 million over 5 years for a Biotechnology Centre of Excellence as part of Backing Australia's Ability. Following a competitive process the final selection of a centre of excellence was recently announced, with the successful operators being the Centre for stem Cells and Tissue Repair. However, to ensure the chemicals and plastics industry is fully aware of the programs and/or range of assistance that might be applicable for bio-processing research projects, the Department of Industry, Tourism and Resources will facilitate meetings between the industry, government and research community.

Findings

Effective exploitation of biotechnology requires strong interdisciplinary collaboration particularly between biology, biochemistry and chemistry. Melbourne University has recognised this with the establishment of the Bio21 facility that has the potential to provide world-class leading edge technology.

Recommendations

1. The development of bioprocessing expertise by providing attractive Government support in the form of grants directed to companies wishing to establish bioprocessing projects with Bio21.
2. Excessive duplication of such facilities that would serve to dilute funding and reduce world standing should be avoided.



Innovation & Exports

Proposed Actions and Timing

Based on the conclusions and recommendations as mentioned above the following Action Plan emerges:

Action 1

To establish a Victorian Mentoring Group before October 2004 as pilot for roll-out in other States in 2005 after success in Victoria in coordination with existing similar entities in each State. Accountability with IEWG with due date of September 30, 2004.

Critical Success Factors

The Government amends the guidelines for grants (see further) administered by AusIndustry under the Commercial Ready Program to provide funding for steps 1-4 of the Innovation Process as well as for steps 9-17 (See Chart 1 – Process Steps below) particularly for individuals and SMEs in the Chemicals and Plastics Industry as from October 1, 2004 onwards.

The IEWG has to post the conditions for submissions to the pilot Mentoring Group on the CPLG website by September 30, 2004.

The IEWG has to advise existing associations through the CPLG about the establishment of the pilot Mentoring Group in Victoria by September 30, 2004.

KPI: Out of minimum 3 submissions referred by Mentoring Group, 1 potential project has achieved funding by December 31, 2004.

Support Mechanism

The Plastics and Chemicals Industry Association (PACIA) to provide administrative support to the pilot Victorian Mentoring Group.

Action 2

To amend the guidelines for grants administered by AusIndustry under the Commercial Ready Program in such a way that funding will be available for steps 1-4 of the Innovation Process as well as for steps 9-17 dealing with development (see attachment on Workshops). Accountability with DITR with due date of September 30, 2004.

Critical Success Factors

The Government advises Victorian State representation of AusIndustry of the suggested amendments by September 30, 2004 for later roll-out in other States.

KPI: A copy of the amended guidelines to be sent by DITR to the IEWG by September 30, 2004.

Support Mechanisms

The pilot Victorian Mentoring Group must be operational by October 1, 2004 with administrative support by PACIA

Action 3

To provide funding for an independent Chair with support for two years at a cost of \$200,000 for the establishment and operations of Mentoring Groups. Accountability with IEWG with due date of December 31, 2004.

**Critical Success Factors**

The pilot Victorian Mentoring Group should be a success based on the agreed KPIs. The Government must provide the requested funding. The IEWG should have a mechanism in place for the appointment of a Chair by November 30, 2004 and a candidate by December 31, 2004. The

Chair has to establish Mentoring Groups in other States in close coordination with the IEWG (or successor entity) and other similar entities by March 31, 2005.

KPI: Publication on the CPLG website of the Mentoring Groups by March 31, 2005.

Support Mechanism

The established operating guidelines have to be part of the funding guidelines and administrative support should be available to the Chair.

Action 4

To complete the simple information guide on the availability of funding and support by the public and private sectors for Innovation and Export.

Accountability with DITR by December 31, 2004.

Critical Success Factors

The Government will provide the funding for the guide as indicated in the above mentioned response. The IEWG has to publish the guide on the CPLG website and distribute the guide through the CPLG to the associations of the Chemicals and Plastics Industry by December 31, 2004.

Support Mechanism

The IEWG provides the general content of the guide for publication by the Government.



Education & Training

Background

The purpose of the CPLG **Education and Training Working Group** is to implement Recommendations 20 through 24 of the Chemicals and Plastics Industry Action Agenda. The working group also provides policy advice to government via the CPLG on Education and Training and is a vehicle to drive government action on education and training matters in the chemicals and plastics industry.

Education & Training Working Group Members:

Prof. Edward Kosior (Chair) - CPLG Deputy Chair; Visy Industries
Martin Jones - PACIA and CPLG Secretariat until April 2004; CSR Ltd
Graeme Churchward - ACI Packaging Pty Ltd
Mike Carton - Manufacturing Industry Training Services
Jeremy Gilling - Manufacturing Learning Australia
John Molenaar - Manufacturing Learning Victoria

Role and Activities of Working Group

The Education and Training Working Group of the Chemicals and Plastics Leadership Group (CPLG) has, over the past 18 months, focused on addressing the Government's response to five recommendations (Recommendations 20-24) of the Australian Chemicals and Plastics Industry Action Agenda.

The Education and Training Working Group recognises the importance of working with government to seek solutions to the five major recommendations of the Industry Action Agenda. To this end, it also recognises that the time has arrived to progress the process and to move from consideration of broad policy advice to the practical implementation of activities that will deliver the Agenda's objectives.

A report has been prepared that documents the work of the Education and Training Working Group and:

- identifies the Government's response to the Action Agenda and progress which has been made in implementing the identified strategies
- provides a stocktake of the existing education and training initiatives across Australia together with an identification of areas that need to be addressed in order to respond to industry's training needs
- recommends actions that are required to meet industry's training and skill development needs

The Working Group is pleased to report that funding has been secured under the National Skills Shortages Strategy to proceed with an assessment of skill gaps and skills shortages (see Initiative 6 – Skills Shortages). The Working Group acknowledges the assistance of the Minister for Education, Dr Brendan Nelson, and officers of the Department of Education, Science and Training (DEST).



Education & Training

CPLG Response to Recommendations 20-24

Recommendations 20-24 specifically relate to the development of a highly skilled workforce for the chemicals and plastics industry and are within the province of the Education and Training Working Group and this report.

Recommendation 20

Industry and State and Commonwealth training and education authorities continue to work together to accelerate the implementation of a nationally consistent vocational education and training arrangement.

Government Response

The Government agrees with this recommendation and remains committed to working with the States and Territories to improve the efficiency of the existing education and training system. To achieve this, the Government needs to have access to sound advice from industry regarding its vocational education and training needs. ANTA is therefore undertaking an evaluation of industry advisory arrangements.

Pending the outcome of the ANTA evaluation, the Commonwealth will continue to support the national network of Industry Training Advisory Bodies (ITABs) as a primary source of advice and will consult with key industry stakeholders at the national level to ensure the best means for obtaining industry advice is put in place. The Government expects the CPLG to ensure that its advice on training matters is provided to the national ITAB, and to engage with the ITAB in developing its training objectives, pending the outcomes of the ANTA evaluation.

Status

The Government's response supports the recommendation and highlights the importance of industry providing sound advice to its national industry training advisory body, and the National Skills Council currently being formed, to ensure that industry advice reaches the Australian National Training Authority. The nationally consistent implementation of the National Training Framework is largely dependant on the States working together to achieve a consistent approach and outcome.

Findings

Although industry continues to work with industry advisory arrangements, the different approaches adopted by State Training Authorities and training providers result in inconsistency in the implementation of the National Training Framework. It is imperative that the national Manufacturing Skills Council, currently in formation, has adequate representation from the chemical and plastics industry to provide the vehicle for industry advice to reach relevant government departments.

(See Initiatives 2 and 4)



Education & Training

Recommendation 21

The Government should:

- (i) Introduce Australian Qualifications Framework (AQF) 1 as a mandatory minimum employment condition standard**
- (ii) Provide funding for the Australian Student Trainee Foundation to provide a coordinator to promote Certificate I of the Plastics, Rubber and Cablemaking Training Package in the Vocational Education and Training (VET) program in schools;**
- (iii) Provide further incentives to promote and reward organisations and individuals undertaking industry accredited training and skills acquisition; and**
- (iv) Fund industry associations that wish to offer industry specific training, subject to demonstrated need and priority.**

Government response

The Government understands that the main focus of the education and training recommendations are focussed at the plastics sector. The Government will through the Department of Education, Science and Training (DEST) consult with industry at a national level to obtain the best advice. The Government sees the CPLG as offering a streamlined consultative arrangement whereby Government can directly hear the collective industry views of the chemicals and plastics sector. The Department of Education, Science and Training will oversee any consultations with the CPLG on education and training matters. This will enable the Government to obtain direct advice about providing a modern training system that best meets industry needs.

In relation to specific training issues, formal advisory arrangements at the national level are confined to single bodies recognised for this purpose by the ANTA Board under the delegation of the VET Ministerial Council. The relevant and recognised body covering the plastics sector is Manufacturing Learning Australia (MLA). The Government encourages the CPLG to enter into a dialogue with MLA, and work through that body, to progress any relevant training issues.

The Government understands that the focus of part (i) of the recommendation deals with improving the level of safety within the plastics processing industry. To assist in this process and to further discuss this issue a meeting between the CPLG and both the National Occupational Health and Safety Commission (NOHSC), ANTA and relevant national ITAB - Manufacturing Learning Australia (MLA) will be convened to work towards acceptable standards for all entry level staff.

The Plastics, Rubber and Cablemaking Training Package was reviewed in 2001 under ANTA's normal three-year review cycle for Training Packages. The reviewed Training Package PMB01 was endorsed by the National Training Quality Council in November 2001 and is due to be further reviewed by November 2004.

The Australian Student Trainee Foundation (ASTF) has been replaced by the Enterprise Career and Education Foundation (ECEF). ECEF significantly broadens and refocuses the work of the ASTF. ECEF is a wholly Australian Government owned company which will receive over \$110 million over four years (2001/02 to 2004/05). This will enable ECEF to cover a range of innovative activities, including support for work placement coordination programmes, in line with its profile and role within vocational, enterprise and career education. ECEF encourages and supports effective school-industry partnerships to link businesses, schools and communities to create diversity of learning experiences. As such, it might be appropriate for the CPLG to liaise with the ECEF and potentially coordinate an industry application to the ECEF to employ a national coordinator to promote Certificate 1 of the National Training Package in the VET programme in schools.

Status

The Government's response confirms the importance of industry working closely with national industry training advisory arrangements and the role of the CPLG in providing a streamlined consultative arrangement to enable government to hear directly from industry. In addition, the government has offered to facilitate discussions with the National Occupational Health and Safety



Commission to address improvements in the level of safety within the industries. The Government also supports the development of an application to the Enterprise Career and Education Foundation

(ECEF) for a resource to promote entry level plastics industry training in schools' programs. The Education and Training Working Group has followed through on these recommendations and continues negotiations with the ECEF for project funding.

Findings

The Education and Training Working Group emphasises that the whole area of careers promotion to young people and the community, the promotion by schools of plastics and chemical industry careers and the encouragement to employers to take on young people, remains a key issue and requires further action.

See *Initiatives 1, 2 and 3*



Education & Training

Recommendations 22 & 23

22. Create an industry led National Training Council to facilitate implementation of the ANTA Ministerial Council resolutions of 30 June 2000.

Government response

The proposal to develop a National Training Council will not, of itself, advance the June 2000 ANTA Ministerial Council recommendations regarding national consistency.

However, the Government is committed to implementing the ANTA Ministerial Council resolutions. The ANTA Board is currently conducting an evaluation of national industry advisory arrangements. The evaluation is to be completed by November 2002 for consideration by the ANTA Ministerial Council. Activities arising from the June 2000 Ministerial Council have been dealt with through considerable consultation processes and the ANTA Board agreed that more consolidated industry arrangements were required. In light of this, the Government encourages the industry to work with and through the existing advisory and consultative mechanisms (eg. MLA) that are recognised by ANTA for this purpose.

23. All interested parties should work together and place specific emphasis on improving the vocational education and training arrangements for the downstream processing and broader elements of the plastics industry, in particular through the National Training Council.

Government response

The Government encourages the industry to work with and through the existing advisory and consultative mechanisms to progress this issue.

Status

These recommendations re-emphasise the importance of implementing a nationally consistent approach to skill development, that responds to industry needs and is adequately resourced to provide for flexible learning opportunities and the professional development of trainers and assessors. They also call for the review of existing facilities with a view to establishing a Centre of Excellence in skill development and support for the development of a training culture in the industries.

The Government in its response again highlights the importance of industry providing sound advice to the national industry training advisory arrangements to ensure that industry advice reaches the Australian National Training Authority.

Findings

The Education and Training Working Group continues to reinforce the importance of adequate chemical and plastics industry representation on the proposed Manufacturing Skills Council to ensure industry needs are clearly passed to government through the Australian National Training Authority.

In addition, the Working Group highlights the need to support small and medium sized businesses to understand the benefits of skill development and provide assistance to access training. This requires additional resources to work with companies in a change management role to enable them to develop a learning culture reflective of their specific needs.

See Initiatives 2, 3, 4 and 5



Education & Training

Recommendation 24

The National Training Council should address the current difficulty in recruiting operators with higher level skills. It should also review the current definition of skills shortages.

Government response

The Government, through the Department of Employment and Workplace Relations (DEWR), has amended the definition of skill shortages to include skill gaps. The Government will also arrange for DEWR to approach relevant industry, through the CPLG, to ascertain if there are any specific vocations or career paths where skill shortages/gaps currently apply.

Status

This recommendation calls attention to current industry skill gaps which, if not addressed, will result in severe industry skill shortages. It highlights the difficulties associated with recruiting workers with appropriate skill levels and attracting school leavers to the industries.

In its response, the Government indicates that skill gaps have been included in the definition of skill shortages and that it will assist in identifying specific skill shortages in the chemical and plastics industries.

Outcome

The Education and Training Working Group made an application for funding through the National Skills Shortages Strategy (NSSS) to identify skill shortages in the industries. This funding application has been approved and the project will proceed under the supervision of the Plastics and Chemicals Industries Association.

See Initiative 6

Findings

In addressing the Government's response to the initial recommendations of the Action Agenda, the Education and Training Working Group has identified a number of limitations in adequately addressing skill development needs within the chemical and plastics industries. The Government response largely focuses on industry working through the national training advisory arrangements to achieve satisfaction in having skill development needs recognized and addressed. Industry has invested significant resources over the past ten years to support the national and state industry advisory arrangements to develop industry competency standards, Training Packages and resources. Despite these efforts, a number of impediments still exist to industry accessing appropriate skill development to address its current and emerging needs. The CPLG Education and Training Working Group has attempted to address these, but a number of important issues still exist and these are raised for consideration and action.

The issues requiring concerted and immediate action focus on:

- the critical importance of attracting young people to the chemical and plastics industries
- up-skilling existing workers to address skill gaps
- achieving minimum standards in safety and induction training for all workers
- addressing the knowledge and skills levels of trainers and assessors working with chemical and plastics industries
- the availability of adequate learning resources to support skill development ensuring adequate entry level skills
- Promotion of the industry to young people and the community, and supporting industry to access training.

It is recognised that these issues are complex and require attitudinal change by the community as well as the development of practical resources to ensure high quality skill development for the



industry. The complexity of the issues is, however, not a reason to avoid seeking appropriate solutions. The industry continues to strive to work with government to ensure the development of a skilled and viable workforce for the chemical and plastics industry.



Education & Training

Outstanding Issues and Priority Initiatives

The following initiatives and actions have been identified to address outstanding issues.

Initiative	Focus		Recommended Action	Reference
<p>Initiative 1. To achieve a sustainable workforce - Pathways for Young People and Career Promotion</p>	<p>Support for schools and communities</p>	<p>A. Career and subject teachers To effectively develop the knowledge and skills of career and subject teachers to introduce students and parents to contemporary manufacturing processes and related careers</p> <p>B. Curriculum Provide appropriate, contemporary resources for the inclusion of manufacturing processes within school curriculum.</p> <p>C. Role models Develop a network of self managed manufacturing champions that are able to promote their careers to young people, educators and the community</p> <p>D. Industry – school connection Provide facilitation of school-industry liaison to develop partnerships between schools and industries for exposure of students to manufacturing processes.</p>	<p>Endorse the development of Teacher release to Industry program</p> <p>Roll out the M-Tec Manufacturing Awareness Program to all schools in Australia. This program was developed by South East development with Commonwealth funding through the Regional Assistance Program and provides a comprehensive, structured manufacturing awareness program for Year 9 and 10 students.</p> <p>Endorse a project to work with young people working in manufacturing industries to form a self-managed Manufacturing Champions Network as an initial group in Victoria and to expand this for the development charter for the formation of similar groups across Australia. This project could be coordinated by PACIA.</p> <p>Endorse the develop case studies which demonstrate effective approaches to facilitated partnerships between schools and enterprises.</p>	<p>Priority Project 1</p> <p>Priority Project 2</p> <p>Priority Project 3</p> <p>Priority Project 4</p>



Initiative	Focus		Recommended Action	Reference
Initiative 2. Existing Workers	Up-skilling existing workers: 1. at operative levels 2. at higher skill levels	A. Establish a Certificate II Existing worker new apprenticeship with government incentives. B. To train existing workers to facilitate change and innovation, and extend their skills and knowledge	Endorse the development of a Commonwealth incentives - existing worker Certificate II traineeship program on a similar basis as the current Commonwealth incentive Certificate III program Endorse the development of a higher skill level learning program, incorporating nationally endorsed Units of Competency and integrating skills in global, competitive and lean manufacturing.	Priority Project 5 Priority Project 6
	Initiative 3. New Entrants and Safety and Induction	All workers in the industry, full-time, part-time, casual and contractors access safety and induction training.	To develop a best practice induction resource for new entrants to the plastics industry	Endorse a Project Proposal for the development of a flexible learning induction resource to support the achievement of the minimum industry Certificate I - Occupation health and Safety Requirements.
Initiative 4. Supporting the industry	Ensuring a skilled training workforce	Development of professional development initiatives for all trainers to the industry: <i>A. To work with training providers to recognise the importance of offering and delivering of specific components to achieve individual Units of Competency (rather than full qualifications) to address the skills required by small to medium sized businesses.</i>	Endorse the implementation of flexible learning delivery approaches in support of small to medium businesses skill development needs.	Priority Project 8 Priority Project 9
		<i>B To invest in a system of ongoing professional development programs for trainers and assessors in plastics and chemical industries.</i> <i>C. Development of a Code of Practice for training organisations delivering in the chemical and plastics industries and to establish a National register of trainers and assessors to the industries.</i>	Endorse the allocation of specific professional development resources specific to trainers and assessors working with chemical and plastics companies. Endorse the development of Code of Practice and register of assessors and trainers for the chemicals and plastics industries.	Priority Project 10



Initiative	Focus		Recommended Action	Reference
<p>Initiative 5. VET capacity to deliver</p>	<p>Access to adequate learning and assessment resources to implement training package qualifications</p>	<p>Rework the existing National Transition Program (NTP) resources developed in the mid-1990s to make them Training Package compliant.</p>	<p>Seek endorsement from Minister Brendan Nelson (DEST) to support the modernisation and updating of the NTP resources to align with the current Training Package.</p>	<p>Priority Project 11</p>
<p>Initiative 6. Skills Shortages</p>	<p>Address industry skill gaps and skill shortages</p>	<p>Accurately identify industry skill shortages and skill gaps An NSSS funded project has been agreed to.</p>	<p>Proceed with the project funded under NSSS (via ACCI and PACIA).</p>	<p>Priority Project 12</p>



Leadership Group

Recommendations 25 & 26

25. Create a Chemicals and Plastics Leadership Group (CPLG) and task it with implementing the agreed actions arising from the Action Agenda.

Government response

The Government agrees with the recommendation and will create a CPLG to oversee implementation of the Action Agenda and provide ongoing industry policy advice. The Government also believes that the CPLG should be tasked to develop alternate models for the establishment of a National Chemicals Policy, and make policy contributions in relation to ongoing whole-of-government regulatory reform such as the work of the EPHC. It also has the potential to liaise with existing education and training bodies such as MLA to progress any plastics-specific training issues. The CPLG will have its charter prescribed so that it does not act as a substitute for, or duplicate, existing consultative mechanisms between industry and departments and agencies. It is important that existing consultative measures are linked into the CPLG to ensure that there is a whole-of-system approach to implementation of the Action Agenda. The composition of the CPLG will be drawn from industry leaders, industry associations and CEOs and will be funded from industry sources. The Government will ensure that the CPLG receives policy advice and input if it is required at any working party level. It is proposed that the CPLG report to, and meet at least bi-annually with the Minister for Industry, Tourism and Resources.

26. The CPLG should devise strategies for the industry and individual companies to drive the objective of altering the industry's image.

Government response

The Government believes that improving the image of the industry should primarily be an industry-driven exercise. The Government also believes that the primary and high priority issues for the CPLG to initially focus on are captured in the response to recommendation 25.

Status

This *Final Report of the CPLG to the Australian Government* summarises the activities and achievements arising from this Recommendation.

We acknowledge the vital role of the Australian Government, through the Minister for Industry, Tourism and Resources, in creating and supporting the CPLG and facilitating its work program, and that of the Parliamentary Secretary to the Minister for Health and Ageing, specifically in the area of regulatory reform.

While much has been achieved since November 2002, this Final Report highlights that there is still a tremendous amount of work to be done to meet the goals of the Government's original Action Agenda and create the strong, viable and competitive chemicals and plastics industry it envisioned. For example, the regulatory reform program needs to be ongoing, with stronger focus on achieving cost efficiencies in our regulatory agencies.

Further Steps

The CPLG does not want to leave its task with only some recommendations addressed and progress achieved. Failure to build on and consolidate the work completed so far risks undoing all the progress made to date.

At its June 2004 meeting, the CPLG agreed to seek the support of the Minister and, through him, the Australian Government for ongoing recognition of a renewed industry-driven and funded CPLG to



continue the important work program commenced by the Action Agenda and act as the voice of the chemicals and plastics industry on policy matters.

The renewed CPLG should not act as a substitute for, or duplicate, existing consultative mechanisms between industry and departments and agencies. It is important that existing consultative measures continue to be linked into the CPLG to ensure that there is a whole-of-system approach to implementation of the Action Agenda.

The CPLG recommends the Government express its support for industry's proposal for a renewed industry-constituted and industry-driven CPLG to progress the ongoing work program. The CPLG asks that the Government recognise the new body as the legitimate voice of the chemicals and plastics industry on matters relating to industry policy and continued implementation of the Action Agenda's recommendations.

In recognition that the next phase will be focused less on planning and goal setting and more on implementation at the 'coal face' of individual sectors and firms, the CPLG believes that the Leadership Group will draw more directly from the peak industry bodies. The CPLG also notes that ACSPA, Avcare and PACIA have agreed to jointly fund the secretariat resources needed.

The CPLG also believes that the ongoing involvement of DITR is critical and proposes that relevant DITR officers maintain an involvement as *ex officio* members of the new CPLG and thereby provide a conduit for two-way communication with the Minister.

It is recommended that the CPLG report to, and meet at least annually with, the Minister for Industry, Tourism and Resources.



Moving Forward

This Final Report to the Australian Government provides a catalogue of significant achievements, work in progress and areas in need of renewed action and ongoing improvement.

As noted already, the CPLG does not want to leave incomplete the job it commenced in November 2002. What is at stake is too vital for Australia's economy and its manufacturing sector.

A vibrant, strong and competitive chemicals and plastics industry is at the hub of a strong manufacturing industry; from construction to consumer goods, from medical devices to automotive production. Chemical products also play a vital role in productive and sustainable agriculture.

This Report includes recommendations in the key action areas of: Education & Training, Innovation & Exports, Investment, and Regulatory Reform.

These recommendations request Government support or action for initiatives that build on the original Action Agenda recommendations and continue the task of developing a stronger, more competitive industry.

The CPLG's recommendations also presume an active and ongoing role for the industry itself.

As proposed, it is recommended that industry continue to drive the various elements of the reform agenda through a renewed Chemicals and Plastics Leadership Group constituted and convened by the industry. This group will build on the excellent work of the industry leaders and visionaries who lead the first CPLG.

In this next phase there will be a significant amount of work required in terms of policy implementation, and the CPLG believes that the key industry associations will provide a more ideal resource base. The CPLG recognises the commitment and generous offer of ACSPA, Avcare and PACIA to jointly fund the Secretariat activities of the renewed Leadership Group.

The CPLG commends the Government for its committed support and looks forward to continuing the momentum and optimism that this first phase has brought to the chemicals and plastics industry, an industry that in achieving our shared Vision and Goals has much to contribute to the social and economic prosperity of Australia.

Mike Dwyer
Chair
Chemicals and Plastics Leadership Group

August 2004